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Peru

Grain and Feed

Annual Report

2000

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With 1.25 million MT of wheat imports forecasted for MY 2000, Peru has become one of the ten major wheat importers in the world. U.S. wheat is expected to maintain at least a 50 percent of the market during the up coming year. Corn imports are forecast to reach 500,000 MT during MY 2000. Due to a recent agreement between corn and poultry producers, corn imports will probably fall considerably in the next five years. Rice imports continue their downward trend, imports for MY 2000 are expected at 150,000 MT. U.S. rice is forecast to continue leading the market with about 100,000 MT.

Includes PSD changes : Yes

Includes Trade Matrix : Yes

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Executive Summary

Wheat imports for Marketing Year 2000/2001 (July/June) are forecast at 1.25 million MT. As the Peruvian economy recuperates from the slim 0.8 percent growth during 1998, reaching 2.1 percent growth during 1999, demand for wheat products is also expected to increase. Though wheat consumption has been rather steady at around 1.2 million MT for a few years now, looking at the per capita consumption of some products (bread only 38 kilograms per annum), there is plenty of room for growth.

Post forecasts corn imports to reach 1.1 million MT during MY (October/September) 2000/2001. Though corn consumption is expected to increase as the Peruvian economy recovers, due to a recent agreement signed between corn producers and poultry producers, and sponsored by the GOP, a considerable reduction in corn imports is expected in the upcoming years. These agreement aims to increase local production to self-sufficient levels within five years.

Rice imports into Peru continue nose diving and are forecast to reach only 150,000 MT during MY 2000 compared to 240,000 MT in MY 1998. This abrupt decrease in imports for the last 2 years are the result of a government policy to encourage rice production through credits for seeds and fertilizers. Though this policy might look successful at first sight, bumper crop in 1999, it has really flooded the market with rice bringing prices below production costs.

PSD Table						
Country:	Peru					
Commodity:	Wheat					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	110	125	120	130	0	134
Beginning Stocks	120	137	140	132	120	177
Production	120	145	130	167	0	160
TOTAL Mkt. Yr. Imports	1200	1150	1200	1238	0	1250
Jul-Jun Imports	1200	1150	1200	1238	0	1250
Jul-Jun Import U.S.	520	520	550	692	0	600
TOTAL SUPPLY	1440	1432	1470	1537	120	1587
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	30	0	30	0	0	0
TOTAL Dom. Consumption	1300	1300	1350	1360	0	1420
Ending Stocks	140	132	120	177	0	167
TOTAL DISTRIBUTION	1440	1432	1470	1537	0	1587

Import Trade Matrix			
Country:		Units:	Thousand Metric Tons
Commodity:			
Time period:	Jan/Dec		
Imports for	1998		1999
U.S.	260	U.S.	692
Others		Others	
Canada	318	Canada	315
Argentina	517	Argentina	229
Total for Others	835		544
Others not listed			2
Grand Total	1095		1238

Wheat

Production

Wheat is a minor crop in Peru. Production in 2000 is forecast at 160,000 MT and is likely to remain at that level in the near future. Since most wheat produced in Peru is soft, thus not good for the milling industry, it is consumed directly as soups and purees.

Crop area increased from 125,000 hectares in 1998 to 130,000 hectares in 1999. Most of the wheat produced in Peru is grown by poor peasants in the highlands of the Andes under very rudimentary cultural practices. Yields in 1999 increased slightly to 1.28 metric tons per hectare compared to 1.16 tons per hectare in 1998.

Consumption

Amid a very strong recession during 1999 as a result of the El Niño weather phenomenon and the international financial crisis Peru's wheat market has been able to maintain its consumption levels, in many cases at the expense of profit margins. While the Peruvian GDP growth for 1999 is estimated at 2.1 percent, the agricultural GDP growth for 1999 is estimated to have reached 12.5 percent. This rather strong agricultural growth is really just a recovery of the ground lost due to El Niño during 1999.

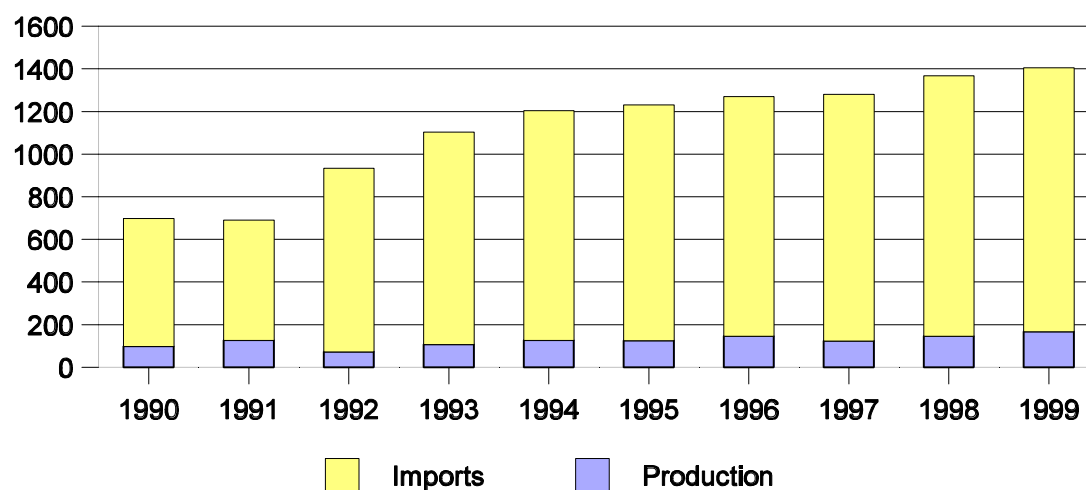
With 10 kilograms per capita, Peru continues to be the second largest pasta consumers in South America. Bread consumption on the other hand, about 38 kilograms per annum, remains at very low levels compared with consumption in other countries in the area.

Trade

For a second year in a row, the U.S. is likely to be the number one wheat exporter to Peru in MY 2000/2001. Peru's total wheat imports in MY 2000/2001 are forecast to reach 1.25 million MT, with just under 700,000 coming from the U.S.

The volume of wheat imports from the U.S. has historically depended on the sized of the Argentine crop. However, with an excellent crop quality, competitive prices and financing under the GSM-102 Credit Guarantee Program, U.S. wheat is expected to capture at least 50 percent of the 1.25 million metric ton market in Peru in MY 2000/2001.

Wheat Historical Data



Policy

The GOP has no specific policy to promote production of wheat. There have been some efforts, such as rotating funds, to assist poor peasants with small credits but they have not had a major impact on production.

As part of the Andean Community, Peru is negotiating a trade agreement with Mercosur. Grains will probably be one of the most important agricultural trade issues, especially for Argentina. But since Peru has been the most progressive country in the region in reducing its tariff rates, it is very unlikely that any further reduction or preference will be granted, especially for wheat, Peru's largest agricultural import and revenue source.

Peru's SPS agency Senasa, still bans U.S. wheat coming from states where Karnal bunt is known to occur.

PSD Table						
Country:	Peru					
Commodity:	Corn					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Harvested	390	410	420	420	0	480
Beginning Stocks	88	80	97	88	95	36
Production	760	932	830	1074	0	1150
TOTAL Mkt. Yr. Imports	950	1050	1100	1050	0	1100
Oct-Sep Imports	950	1050	1100	1050	0	1100
Oct-Sep Import U.S.	250	366	380	665	0	500
TOTAL SUPPLY	1798	2062	2027	2212	95	2286
TOTAL Mkt. Yr. Exports	1	2	2	2	0	2
Oct-Sep Exports	1	2	2	2	0	2
Feed Dom. Consumption	1700	1850	1700	1700	0	1700
TOTAL Dom. Consumption	1700	1972	1930	2174	0	2200
Ending Stocks	97	88	95	36	0	84
TOTAL DISTRIBUTION	1798	2062	2027	2212	0	2286

Import Trade Matrix			
Country:		Units:	Thousand Metric Tons
Commodity:			
Time period:	Jan/Dec		
Imports for	1998		1999
U.S.	137	U.S.	665
Others		Others	
Argentina	685	Argentina	370
Brazil	51		
Total for Others	736		370
Others not listed	19		15
Grand Total	892		1050

Corn

Production

Corn production in Peru is estimated at 1.074 million MT for MY (October/September) 1999/2000. Among the several types of corn produced in Peru, the most important varieties are starchy corn, with production estimated at 260,000 MT for MY 1999/2000, which is consumed directly and yellow corn, with production estimated at 814,000 MT for the same period of time, which is primarily used in the animal feed industry.

With plenty water left by the El Niño weather phenomenon and continued favorable weather conditions an increase in the crop area as well as better yields are expected for the year 2000. The area harvested in 1999 are estimated at 238,000 hectares and 221,000 hectares for yellow and starchy corn respectively compared with 230,000 hectares and 215,000 hectares in the previous year. Yields are expected to be around 3.40 MT per hectare for yellow corn and 1.133 MT per hectare for starchy corn.

Consumption

Peru has a 21 million chicken-per-month poultry market, which is the major user of yellow corn. Corn consumption is estimated at 2.17 million MT for MY 1999/2000. Though 1999 has probably been the worst year during this decade for the Peruvian economy, the poultry industry enjoyed a slight recovery over the previous year. Poultry meat continues to be one the cheapest source of protein in the Peruvian diet.

A major problem poultry producers have to face is competition from informal producers, who account for about 30 percent of the poultry meat industry. Due to the favorable climate in the coastal areas of Peru for poultry production, small producers can activate and de-activate production facilities very rapidly, and at low cost. When prices rise, these producers can begin production quickly, and just as quickly, stop production when prices fall. The large producers, with much higher fixed costs, must continue producing despite the up and downs of the market.

Trade

In 1999, Peru imported 665,000 MT of yellow corn from the U.S. and 371,000 MT from Argentina (MY trade data are not available), reverting last year's ratio of 782,000 MT from Argentina and 349,000 MT from the US. Feed producers and large poultry operations claim that corn from Argentina comes with less broken kernels. Under ALADI (The Latin American Integration System) Peruvian buyers get better credit terms on Argentine corn. This credit is granted to the Central Bank at a lower interest rate which makes Argentine corn more attractive. The GSM Credit Guarantee Program has been a useful tool offsetting this credit disadvantage only somewhat.

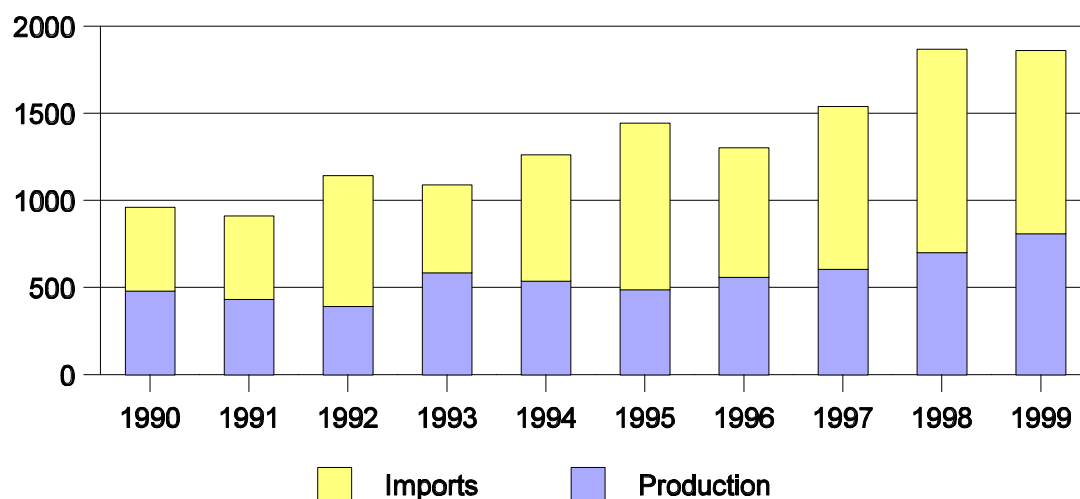
Policy

The GOP does not have any subsidy or assistance program to encourage corn production. There has been limited support through rotating credit funds. The government through the Ministry of Agriculture is trying to implement a program to encourage corn production in the eastern region of the country. This area is excellent for corn production, but has a great disadvantage, transportation infrastructure is poor and in some cases it does not exist.

Corn imports are assessed 25 percent import duty on CIF basis plus 18 percent value-added tax, plus a variable levy which depends on international prices.

The Poultry Producers' Association has recently signed an agreement with the Corn Producers' Association whereby the poultry producers are committed to purchase all locally produced yellow corn. This is the second attempt in three years to create a symbiosis relationship between these two groups. According to private sector officials, if this agreement is successful, corn production could be double folded to 1.6 million metric tons in the upcoming years, becoming self-sufficient.

Corn Historical Data



PSD Table						
Country:	Peru					
Commodity:	Rice, Milled					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Harvested	243	260	290	317	0	264
Beginning Stocks	202	199	112	179	142	179
Milled Production	900	910	1140	1180	0	1110
Rough Production	1304	1319	1650	1700	0	1600
Milling Rate(.9999)	6900	6900	6900	6900	0	6900
TOTAL Imports	150	240	150	155	0	150
Jan-Dec Imports	150	215	150	155	0	150
Jan-Dec Import U.S.	65	141	100	83	0	100
TOTAL SUPPLY	1252	1349	1402	1514	142	1439
TOTAL Exports	40	40	80	50	0	80
Jan-Dec Exports	40	40	80	50	0	80
TOTAL Dom. Consumption	1100	1130	1180	1285	0	1200
Ending Stocks	112	179	142	179	0	159

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan/Dec		
Imports for	1998		1999
U.S.		U.S.	83027
Others		Others	
		Uruguay	37525
		Argentina	20200
Total for Others	0		57725
Others not listed			5526
Grand Total	0		146278

Rice

Production

Rice production for MY (January/December) 2000 is forecast at 1.11 million MT (milled basis), 70,000 MT less compared to the previous year. Rice in Peru is surface irrigated, which depends on the supply of water draining from rivers in the Andes Mountains. Most of the rice in Peru is harvested May through September. Most of the water reservoirs in the northern part of country are between 50 and 75 percent of their full capacity which assures abundant water supply, since the planting season has already ended.

Major rice production areas in Peru are Lambayeque and Piura in the northern region, and Arequipa in the south. Average yields are 6.27 metric tons per hectare, but some farmers have yields as high as 14 metric tons per hectare (paddy rice). Rice quality and yields vary greatly, as much of the production is carried out by small producers, with input levels dependent on prices and economic conditions.

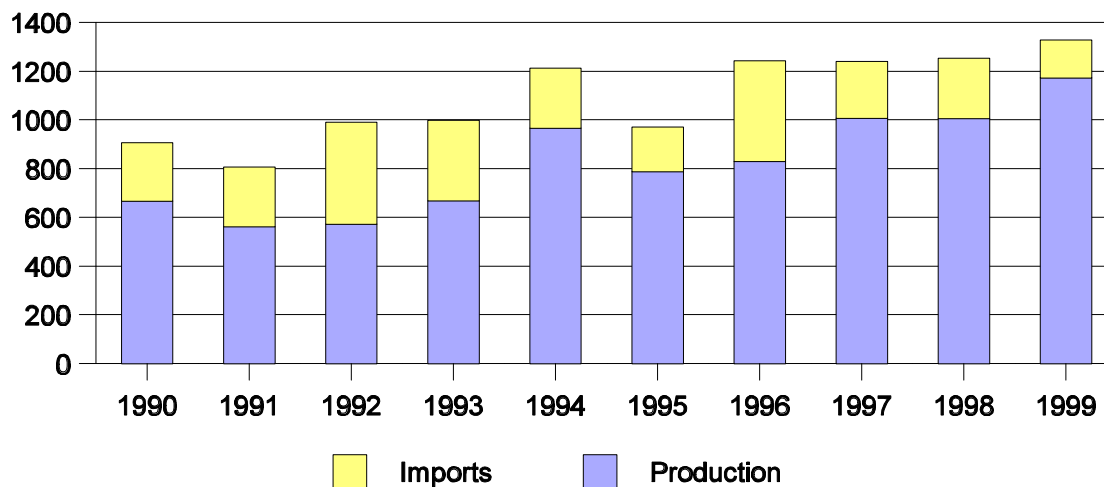
Consumption

Per capita rice consumption is estimated at 46 kilograms. Rice is sold traditionally in small markets, weighed out and bagged from 50 kilos sacks. In recent years Peru has seen a rapid expansion of the supermarkets chains, this has changed several consumer habits and rice has not been an exception. There is a growing demand for prepackaged one kilogram bags of rice, which now total 13 percent of all rice sales. The higher quality rice, including U.S. rice, is generally marketed in this way.

Trade

The U.S. continues to be the largest rice supplier to Peru, with 83,000 MT in 1999 or 58 percent of the import market. Since the GOP implemented a ban on Asian rice based on phytosanitary issues, the imported rice market has been shared by the U.S. and Uruguay.

Rice Historical Data



Policy

The GOP does not have any production subsidy or support programs in the agricultural sector. The government does buy rice from local producers to support social feeding programs, but the quantities purchased are very limited. Production credits are very difficult to obtain in the agricultural sector. This has restrained farmers for changing to what they may consider to be more profitable crops.

Since 1998 the GOP has been encouraging rice production through input credits and rotating funds as a result there was a bumper crop in 1999. Though production wise the sector has grown sharply during the last 3 years, it has been an economic disaster for producers. Having flooded the market with rice and with large carry over stocks and no possibility of exporting, other than what is smuggled into Ecuador through the northern border, prices have plummeted making almost impossible the recovery of producers' investment. As a consequence, farmers are not able to honor their credits and in many cases are losing their land, in addition to their already eroded reputation with the formal financial system.

Rice imports are assessed 25 percent import duty on CIF basis plus 18 percent value-added tax, plus a variable levy which depends on international prices.